

Of Firms Both Large & Small

Everyone knows that small business is the life-blood of the economy, isn't it? Certainly, small business ventures are important to a growing economy. They are often the seedbeds of innovation. However, in trying to measure the contribution of firms or establishments we often look at annual growth, revenue figures, or other similar data to make judgments or comparisons. One way we examine this issue is to look at firm-specific employment and wage levels.

What is the difference between a firm and an establishment? In this context the term "establishment" generally refers to a specific physical worksite for an employer; the actual street location at which business is conducted. The term "firm" is used to identify an employer's total statewide operations. An example would be the multitudinous McDonalds. Your local McDonalds would be considered an establishment, whereas all the Utah McDonalds combined comprise a firm.

The Utah Department of Workforce Services compiles quarterly employment and wage data for non-agricultural firms and establishments in Utah. On the first calendar quarter of each year the employment and wage data is aggregated into ten employment ranges. These categories, based on March employment levels, range from 0 to over 500 workers. Categorizing data in this way provides a useful tool for analyzing certain employment and wage characteristics of Utah employers.



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So what kind of things can we learn from reviewing the firm-specific data? Well, approximately 62 percent of firms in Utah employ four or fewer employees, providing 4.8 percent of Utah's total non-agricultural employment, while just 0.4 percent of Utah firms employ 500 or more employees representing 39.3 percent of Utah's total non-agricultural employment. This gives a clear illustration of the relative contribution of different-sized firms in terms of employment and wages provided.

Small businesses are often considered the primary employers, not only in Utah, but across the country. The

truth of that sentiment hinges on the definition of a small business. The Small Business Administration (SBA) generally defines a small business as one with fewer than 500 employees. In Utah that definition isn't practical as it classifies 99.6 percent of all businesses in Utah as small businesses, leaving a miniscule 0.4 percent of firms classified differently. No one is advocating a change to the SBA's definition of a small business. However, we should seek to understand of the limitations of the definition in regard to Utah's data.

With or without using the SBA's definition, it is apparent from this simple analysis that, while the majority of

businesses in Utah are small, the contributions of larger business in terms of employment and wages cannot be ignored. They provide a significant number of jobs considering their relatively small numbers. Of course, this is only one observation from one slice of the data available. Additional information on employment and wages, including breakouts by county and industry are at the following web site: <http://jobs.utah.gov/opencms/wi/pubs/em/ueews/>. 

